

General Information Letter: The Illinois constitution prohibits the imposition of a personal property tax.

April 7, 2000

Dear:

This is in response to your letter received March 9, 2000 in which you request a Letter Ruling. Department of Revenue ("Department") regulations require that the Department issue only two types of letter rulings, Private Letter Rulings ("PLRs") and General Information Letters ("GILs"). PLRs are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. GILs do not constitute statements of agency policy that apply, interpret or prescribe the tax laws and are not binding on the Department (see 2 Ill. Adm. Code 1200.120(b) and (c), available on the Department's website at <http://www.revenue.state.il.us/legalinformation/regs/part1200>).

Although you have not specifically requested either type of ruling, the nature of your question and the information provided require that we respond only with a GIL.

In your letter you stated:

It has been a number of years since I wrote you regarding personal property taxation of computer software in Illinois. At this time I wish to update my files as to the correct tax status. Approximately five years ago you wrote me and said that Illinois does not have a personal property tax. Is this still a correct statement?

If it is, can you please initial this letter and return to me. If it is not, could you please send me information regarding how software is taxed in Illinois for personal property purposes.

DISCUSSION

There have been no changes regarding personal property/ad valorem taxation. Illinois has no personal property tax. The Illinois Constitution abolished the authority to tax personal property effective January 1, 1979. The General Assembly, in order to comply with that portion of the Constitution, replaced the personal property tax by adopting the personal property tax replacement income tax. (See IITA 201(c) & (d), copy enclosed). This tax is measured by the net income on every corporation (including Subchapter S corporations), partnership and trust, for each taxable year ending after June 30, 1979. Such taxes are imposed on the privilege of earning or receiving income in or as a resident of this State. The Personal Property Tax Replacement Income Tax is imposed in addition to the income tax imposed by subsections (a) and (b) of IITA 201 and in addition to all other occupation or privilege taxes imposed by this State or by any municipal corporation or political subdivision thereof.

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As mentioned above, this is merely a general information letter and not a statement of policy and is not binding upon the Department. I hope that this has been helpful to you. The Department maintains a website, which can be accessed at www.revenue.state.il.us. If you have additional questions please feel free to contact me at the above address.

Very Truly Yours,

Charles Matoesian
Associate Counsel